

SBC 2005 Payphone PCC Audit Plan

Scope

The scope of the 2005 Payphone PCC Audit will encompass those changes made to the SBC PCC Call Tracking System since the initial System Audit Report filed on June 30, 2004. Specific areas of review will include:

- Quarterly 8YY PCC reports to the PSPs
- Quarterly CFO sworn statements of PCC accuracy
- Change in Default compensation rate for eligible calls
- Change in retention period for the reports
- Exclusion of calls completed by facilities-based carriers
- PCC processes for incoming IntraLATA 8YY calls from an ILEC

The approach to the 2005 Audit will be based on an examination of the processes, procedures, and practices in use by SBC Finance Operations which support the SBC assertions of compliance with the relevant FCC Orders. Following the AICPA Standards for attestation engagements, the audit methodology will combine an examination of process documentation, a sampling of reports and call detail records, and interviews of key personnel to test SBC continued compliance with the FCC criteria and the 2004 System Audit Report.

Assumptions

- Access to the information, documentation, data files, etc. necessary to conduct the audit will be provided by SBC on a timely basis
- SBC will provide a Single Point of Contact (SPOC) to facilitate communications with the audit team
- The audit will be limited to the Payphone Per Call compensation processes, practices, and reporting processes of SBC as a Local Exchange Company (LEC) for 8YY calls originating and terminating within the same LATA.
- The audit scope will be limited to changes in the SBC PCC tracking system occurring between July 1, 2004 and the start of the audit.
- SBC will provide assertions of compliance with the FCC criteria outlined in FCC 03-235/CC Docket No. 96-128, FCC 04-182/WC Docket No. 03-225, and FCC 04-251/CC Docket No. 96-128 and will disclose to the audit team any changes made to its call tracking system.

FCC Criteria and SBC Assertion Mapping

FCC Criteria: FCC 03-235/CC Docket No. 96-128 and Appendix C – Final Rules §64.1310 provide that Completing Carriers are responsible for payment of PCC and must provide the PSPs with quarterly sworn statements by the CFO of PCC accuracy as well as quarterly reports of 8YY calls completed by the carrier.

- SBC Management asserts that Finance Operations on behalf of SBC the LEC as the Completing Carrier compensates the payphone service provider as follows:
 - (1) Finance Operations has established a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone call to completion
 - (2) Finance Operations pays compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the SBC's quarterly report
 - (3) At the conclusion of each quarter, the chief financial officer of SBC makes available to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones
 - (4) At the conclusion of each quarter, Finance Operations provides to the payphone service provider, in computer readable format, a report on that quarter that includes:
 - (i) A list of the toll-free and access numbers dialed from each of that payphone service provider's payphones and the ANI for each payphone
 - (ii) The volume of calls for each number that were completed by SBC
 - (iii) The name, address, and phone number of the person or persons responsible for handling SBC's payphone compensation

- SBC Assertions

1.0 Quarterly Reports of 8YY Calls completed by SBC

- SBC Finance Operations has technical procedures and processes in place to identify and collect SBC completed call data for the purpose of quarterly reports provided to PSPs.
- The Finance Operations Associate Director is the Team Manager and is responsible for assigning the appropriate Team resources to execute various functional PCC processes and procedures associated with identification, collection, compilation, and distribution of quarterly reports.
- SBC has implemented procedures and controls needed to resolve disputes and the existing process will address reports and rate change inquiries
- SBC has specific personnel assigned quarterly reports and/or disputes responsibility

2.0 CFO Sworn Statements of Accuracy

- SBC has procedures in place to allow quarterly CFO confirmation of PCC accuracy
- SBC has implemented critical controls and procedures to provide the CFO statement of accuracy quarterly
- SBC Finance Operations has procedures in place to provide quarterly a CFO-signed statement of PCC accuracy

3.0 Calls Completed by SBC and Exclusion of Calls Completed by non-SBC Carriers

- SBC Finance Operations has effective data-monitoring procedures in place to identify 8YY calls completed by SBS versus not completed by SBC.
- SBC Finance Operations processes identify and capture payphone call detail for completed calls for payphone calls completing in SBC territory
- SBC has procedures in place to accurately track SBC completed versus non-SBC completed calls
- SBC has procedures in place to accurately report 8YY numbers dialed and completed from payphones in SBC territory.
- SBC has implemented adequate and effective business rules to identify for accurate payment 8YY calls completed by SBC
- SBC Finance Operations has processes, documentation, and personnel assignments necessary to administer the PCC payment responsibility change from call-originating to call-completing carrier, including in-territory versus out-of-territory

4.0 Incoming 8YY calls from Out-of-Territory Providers

- SBC Finance Operations has processes, documentation, and personnel assignments necessary to administer the PCC payment responsibility change from call-originating to call-completing carrier, including in-territory versus out-of-territory

FCC Criteria: FCC 04-182/WC Docket No. 03-225 and Appendix A – Final Rule provide that Completing Carriers increase the default compensation rate paid to Payphone Service Providers on each call that qualifies to receive compensation made from a payphone. In the absence of an agreement, the carrier is obligated to compensate the payphone service provider at a per-call rate of \$.494.

- SBC Management asserts that Finance Operations has implemented business and technical processes and procedures necessary to pay PCC at the new rate.
 - SBC has implemented adequate and effective business rules to pay correctly at the new PCC Rate

- SBC has developed, documented, and implemented procedures and processes to pay PCC at the new mandated rate accurately.

FCC Criteria: FCC 04-251/CC Docket 96-128 and Appendix B – Final Rules clarify that Completing Carriers are responsible for retaining records for payment of PCC for 27 months, are only responsible for providing to PSPs on quarterly reports those 8YY numbers for calls completed by the Carrier, and only responsible to PSPs on quarterly reports those 8YY numbers called to access numbers or subscriber toll-free (8YY) numbers that a LEC maintains.

- SBC Management asserts that Finance Operations has implemented business and technical processes and procedures necessary to collect, report and retain data associated with SBC payment of PCC as clarified in the *Order of Reconsideration*

Compliance Test Plan

The test plan is built on a validation of the SBC assertions of compliance with the FCC requirements and audit criteria. Each procedural change, as disclosed by SBC, implemented after the 2004 System Audit will be tested against the FCC requirements for the change as well as the FCC criteria for the PCC system audit to verify compliance.

The test plan is broken down into the six change areas disclosed by SBC, specifically:

- 1) Generation and Provision of Quarterly 8YY PCC Reports
- 2) Provision of Quarterly CFO Sworn Statement of PCC Accuracy
- 3) Implementation of New PCC Default Rate
- 4) Increase in Retention Period of PCC Reports Data
- 5) Exclusion of Calls Completed by Facilities-Based Carriers
- 6) Handling Incoming IntraLATA 8YY Calls from ILECs

Quarterly Reports Process

Test Objective: To validate that SBC has the processes and procedures in place to accurately collect PCC compensation data, compile that data into reports, and distribute those reports to the PSPs and that the reports were provided for the 3rd and 4th Quarters of 2004.

Validation	Data Request
Examine process documentation and procedures for incorporating payphone call data into the reports	<ul style="list-style-type: none"> • 8YY PCC Process Document • Quarterly Reports Process Document • Tracking Logs
Sample 4Q2004 Reports and compare with compensation payments	<ul style="list-style-type: none"> • Sample Reports • Reports from Selected PSPs, CLECs, Aggregators, SBC Public Communications • Call Detail for Selected Vendors
Examine SBC control procedures for	<ul style="list-style-type: none"> • PSP Reports Option Correspondence

determining PSP-selected options for receiving reports	<ul style="list-style-type: none"> • Reports Tracking and Control Logs
Interview Team Manager to determine resource assignment for the processes and procedures associated with the quarterly reports	<ul style="list-style-type: none"> • Meeting Minutes and Notes • Tracking Logs
Simulate a claim or issue arising from the reports process and walk through resolution	<ul style="list-style-type: none"> • Dispute Resolution process updates
Examine dispute/issue logs	<ul style="list-style-type: none"> • Hotline and Dispute Logs

CFO Sworn Statement of PCC Accuracy

Test Objective: To validate that SBC has the procedures in place for the CFO to complete the quarterly sworn statements of PCC accuracy and that the statements were completed for the 3rd and 4th Quarters of 2004.

Validation	Data Request
Examine criteria used by CFO to determine PCC accuracy	<ul style="list-style-type: none"> • Briefing package for CFO
Review supporting documentation	<ul style="list-style-type: none"> • Briefing package for CFO
Obtain 3 rd and 4 th Quarter CFO sworn statement	<ul style="list-style-type: none"> • Copy of 3rd and 4th Quarter CFO sworn statements • Prime Access website URL

Default Compensation Rate Increase

Test Objective: To validate SBC's compliance with the FCC-mandated change in the default per call compensation rate

Validation	Data Request
Examine the process documentation and business rules used to implement the new rate	<ul style="list-style-type: none"> • 8YY PCC Process Document • Business rules including rounding and payment calculations
Sample September and October 2004 compensation payments	<ul style="list-style-type: none"> • Sample compensation payments for September and October 2004 • Payments for selected vendors for selected time frames

Change in Retention Period for PCC Reports Data

Test Objective: To validate that SBC data retention policy complies with the mandated FCC change to 27 months

Validation	Data Request
Examine PCC process documentation, specifically the section on Document Retention	<ul style="list-style-type: none"> • 8YY PCC Process Document

Exclusion of Calls Completed by Facilities-Based Carriers

Test Objective: To validate that SBC is correctly identifying SBC- from non-SBC-completed calls and excluding from payment only those calls completed by a facilities-based CLEC

Validation	Data Request
Examine exclusion process and supporting documentation	<ul style="list-style-type: none">• 8YY PCC Process Document• Internal processing documentation for the 3rd and 4th Quarter• Internal process flows
Examine and test business rules for determining facilities-based CLECs and the control procedures for maintaining any tables	<ul style="list-style-type: none">• Internal documentation including OCN tables and maintenance procedures
Process a sample of call detail files and compare with compensation payments	<ul style="list-style-type: none">• Sample 4th Quarter Reports• Reports for selected PSPs, CLECs, Aggregators, and SBC Public Communications• Call detail associated with Reports for selected vendors
Examine process documentation and review organizational responsibility	<ul style="list-style-type: none">• Dispute Resolution process updates• Correspondence

Handling Incoming IntraLATA 8YY Calls from an ILEC

Test Objective: To validate that SBC has procedures in place for handling PCC for incoming IntraLATA calls from an ILEC where the call-completing carrier has no knowledge of the PSP to whom compensation is due.

Validation	Data Request
Examine process documentation for handling incoming 8YY calls from an ILEC	<ul style="list-style-type: none">• 8YY PCC Process Document• Call flows
Examine SBC/ILEC Agreements and documentation of exceptions	<ul style="list-style-type: none">• SBC/Verizon Agreement• Generic ILEC Agreement and supporting correspondence
Review dispute logs and supporting documentation	<ul style="list-style-type: none">• Sample inquiries and disputes• Dispute tracking log• Dispute Resolution Process Document updates
Process a sample of call detail files and compare with compensation payments	<ul style="list-style-type: none">• Call detail records for a sample of calls terminating to an ILEC